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Westly Sponsoring Resolution Protecting Homeowners, Healthcare from Tax Hikes

SACRAMENTO – State Controller Steve Westly today said he will sponsor a legislative resolution to keep California from taxing health care and eliminating mortgage, property, education and other tax deductions.

"It's hard enough for working families to keep their heads above water without Washington dragging them down," Westly said. "California must stand up against Washington's latest attack on homeownership, healthcare and higher education."

At issue are federal tax policy changes that were recently proposed by a panel appointed by President Bush. Westly's resolution would declare the legislature's intent to reject any bill that would make the state's tax policy conform to proposals that would hurt Californians.

Westly, who is Chair of the Franchise Tax Board, also passed a motion at today's board meeting that opposes the proposed changes and calls on the California Congressional Delegation to do the same. The FTB administers California's personal income and corporate taxes.

The federal panel called for the taxation of employee health care benefits and elimination of federal tax deductions for mortgages, property tax, and state and local taxes. Instead of the mortgage deduction, the panel proposes a tax credit that would be capped at a level that would increase the tax burden on Californians.

Please see the attached FTB resolution.

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Resolution Regarding Proposed Changes To Federal Income Tax Law

WHEREAS, the President, by Executive Order No. 13369, established the President's Advisory Panel on Federal Tax Reform (Advisory Panel) and charged it with submitting to the Secretary of the Treasury a report with revenue neutral policy options for reforming the Federal Internal Revenue Code;

WHEREAS, the report of the Advisory Panel to the Secretary of the Treasury dated November 1, 2005, includes two proposed plans to reform the federal Internal Revenue Code that are referred to as the "simplified income tax" and the "progressive consumption tax," and each of those plans proposes changes for individuals that (1) would eliminate the federal deductions for state and local income and property taxes, (2) would replace the home mortgage interest deduction with a federal credit limited to a percentage of interest paid on mortgage amounts not in excess of the maximum mortgage amount the Federal Housing Administration (FHA) will insure, an amount that regularly changes and varies depending upon local housing costs and that currently has a national average of about $244,000 and a maximum insured loan limit of $312,895, and (3) would limit the maximum exclusion for employer-provided health care to $5,000 for an individual and $11,500 for a family, thereby making employer-paid health insurance premiums in excess of these amounts taxable to employees;

WHEREAS, California home prices are some of the highest in the nation and the housing affordability gap in California continues to grow, and eliminating the federal income tax deduction for home mortgage interest and replacing it with a credit against federal income tax equal to a percentage of interest paid on mortgage amounts not in excess of FHA mortgage insurance limits will increase the federal tax burden of California homeowners;

WHEREAS, eliminating the federal income tax deduction for state and local income and property taxes will increase the burden of federal taxes for California taxpayers and have a disproportionate impact on Californians when compared with taxpayers in other states; and

WHEREAS, the exclusion for employer-paid health insurance premiums provides an important subsidy that reduces the cost of health insurance for many employees, a record number of Californians are underinsured or uninsured and working families in California can barely afford health insurance, and the Advisory Panel's proposal regarding employer-paid health insurance premiums would further undermine the well being of California families because a limitation on the amount of this exclusion will erode the value of the federal subsidy at a time of regularly recurring and substantial increases to health care costs.

NOW, therefore, be it resolved that the Franchise Tax Board opposes the enactment of amendments to the federal Internal Revenue Code that would adopt the proposals of the Advisory Panel with respect to the federal income tax deductions for home mortgage interest and state and local income and property taxes and the federal income tax exclusion for employer-paid health insurance premiums;

Be it further resolved that the Franchise Tax Board urges the Secretary of the Treasury and the President to reject the recommendations of the President's Advisory Panel with respect to the federal income tax deductions for home mortgage interest and state and local income and property taxes, and the federal income tax exclusion for employer-paid health insurance premiums;

Be it further resolved that if federal legislation is introduced to amend the Internal Revenue Code to adopt the recommendations of the President's Advisory Panel with respect to the federal income deductions for home mortgage interest and state and local income and property taxes and the federal income tax exclusion for employer-paid health insurance premiums, the Franchise Tax Board urges the members of the California Congressional Delegation to oppose such legislation; and

Be it further resolved that a copy of this Resolution shall be transmitted to the Secretary of the Treasury, the members of the California Congressional Delegation, and the Congressional committees on tax policy.

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Member

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Member

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Member

Dated: ____________________
Attested:___________________
Board Liaison
Resolution: 2005-_____

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